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MEMORANDUM

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ARIZONA CORPORATION COMMISSION  
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FROM: Ernest G. Johnson  
Director  
Utilities Division

DATE: November 24, 2003

RE: STAFF REPORT FOR BONITA CREEK LAND AND HOMEOWNER'S  
ASSOCIATION RATE INCREASE APPLICATION (DOCKET NO. W-02195B-03-  
0293)

Attached is the Staff Report for Bonita Creek Land and Homeowner's Association for a permanent rate increase. Staff recommends approval of the application using Staff's recommended rates and charges.

EGJ:CRM:rdp

Originator: Charles R. Myhlhousen

Attachment: Original and thirteen copies

Arizona Corporation Commission  
**DOCKETED**

NOV 24 2003

DOCKETED BY	
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Service List for: Bonita Creek Land and Homeowner's Association  
Docket No. W-02195B-03-0293

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**STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION**

**BONITA CREEK LAND AND HOMEOWNER'S ASSOCIATION**

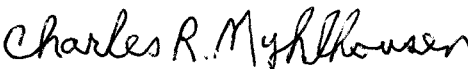
**DOCKET NO. W-02195B-03-0293**

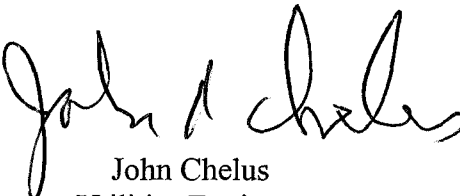
**APPLICATION FOR A  
PERMANENT RATE INCREASE**


**NOVEMBER 2003**

## STAFF ACKNOWLEDGMENT

The Staff Report for Bonita Creek Land and Homeowner's Association, Docket No. W-02195B-03-0293, was the responsibility of the Staff members listed below. Charles R. Myhlhousen was responsible for the review and analysis of the Company's application, recommended revenue requirements, rate base and rate design. John Chelus was responsible for the engineering and technical analysis. Bradley Morton was responsible for reviewing the Commission's records on the Company, determining compliance with Commission policies/rules and reviewing customer complaints filed with the Commission.

  
Charles R. Myhlhousen  
Public Utility Rate Analyst II

  
John Chelus  
Utilities Engineer

  
Bradley Morton  
Public Utilities Consumer Analyst II

## **EXECUTIVE SUMMARY**

Bonita Creek Land and Homeowner's Association is engaged in the business of providing utility water service exclusively to Arizona customers in Gila County. The Company operates a public water system in a certified area approximately 15 miles northeast of Payson, Arizona on Houston Mesa Road and provides service to approximately 40 residential customers. The Company's existing rates were established in 1996.

The Company's rate application requested an increase in revenues of \$4,683 or a 38.14 percent increase over test year revenues of \$12,280. The Company- proposed rates will produce revenues of \$16,963 resulting in an operating loss of \$1,862 for no rate of return on an original cost rate base ("OCRB") of \$10,842. The Company's requested rates would increase the typical residential bill with a median usage of 756 gallons by \$10.00 or a 43.5 percent. Staff's proposed rates would produce an operating income of \$2,245 on an OCRB of \$5,921 for a 37.92 percent rate of return. Staff is recommending a revenue level of \$21,000. Staff's recommended rates would increase the typical residential bill with a median usage of 756 from \$22.97 to \$39.73 for an increase of \$16.76 or 73.0 percent

Staff recommends approval of its recommended rates and charges as presented on Schedule 4 of this report, as well as the Hook-Up Fees.

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## **Attachment**

Engineering Report

**Fact sheet**

Current rates: Decision No. 59548, dated March 13, 1996.

Type of ownership: Corporation

Location: The Company is located approximately 15 miles northeast of the Community of Payson, Gila County, Arizona on Houston Mesa Road. The water system is not located in an Active Management Area ("AMA").

**Rates:**

Permanent rate increase application filed: May 8, 2003, and amended August 25, 2003

Current Test Year Ended: December 31, 2002

Current Rates: Effective April 1, 1996

	<u>Current Rates</u>	<u>Company Proposed Rates</u>	<u>Staff Proposed Rates</u>
<b><u>Monthly Minimum Charge:</u></b>			
Based on 5/8 X 3/4 - inch meter	\$19.75	\$29.75	\$35.00
Gallons in Minimum	0	0	0
Commodity Charge			
From zero gallons to 3,000 gallons	\$4.25	\$4.25	n/a
From 3,001 gallons to 10, 000 gallons	4.25	4.75	n/a
Over 10,000 gallons	4.25	5.75	n/a
From zero gallons to 2,000 gallons	n/a	n/a	\$6.25
From 2,001 gallons to 10,000 gallons	n/a	n/a	7.00
Over 10,000 gallons	n/a	n/a	7.75
Typical residential bill			
(Based on median usage of 756 gallons)	\$22.97	32.97	39.73

**Customers:**

Average number of customers in prior Test Year: 25

Average number of customers in current Test Year: 38

Current Test Year customers by meter size:

5/8 X 3/4 – inch: 40

**Complaints:**

Number of customers concerns since rate application filed: 0

Percentage of complaints to customers base: 0 percent

**Notification:**

Customer notification was mailed on August 25, 2003

### **Summary of Filing**

Based on test year results as adjusted by Utilities Staff ("Staff"), Bonita Creek Land and Homeowner's Association ("Company") realized an operating loss of \$5,842 on an Original Cost Rate Base ("OCRB") of \$5,921 for no rate of return as shown on Schedule 1.

Bonita Creek Land and Homeowner's Association proposed rates produced operating revenues of \$16,963 and an operating loss of \$1,862 for no rate of return on an OCRB of \$10,842. The Company's proposed rates would increase the typical residential bill with a median usage of 756 gallons from \$22.97 to \$32.97 for an increase of \$10.00 or 43.5 percent.

Staff's recommended rates produce a revenue level of \$21,000, and an operating income of \$2,245 for a 37.92 percent rate of return on an OCRB of \$5,921. Staff's recommended rates would increase the typical residential bill with a median usage of 756 gallons from \$22.97 to \$39.73 for an increase of \$16.76 or 73.0 percent.

### **Company Background**

On May 8, 2003, Bonita Creek Land and Homeowner's Association filed an application for a permanent rate increase with the Arizona Corporation Commission ("Commission"). On June 9, 2003, the application was found deficient. On August 25, 2003, the Company resubmitted the instant application. On September 24, 2003, the application was deemed sufficient.

Bonita Creek Land and Homeowner's Association indicated that a rate increase is needed because there has been an increase in operating costs. The community was destroyed in the Dude Ranch forest fire in 1990. A grant was used to rebuild the plant and the money left over from the grant was used to pay operating costs until the monies ran out. At that time the fulltime residents voluntarily donated funds for the operation and maintenance of the system. Subsequently, on June 23, 2003, the Company filed an emergency rate increase application. The application was suspended pending the filing of an application for adjudication that it is not a public service corporation. The adjudication application was filed on October 21, 2003.

### **Consumer Services**

A review of Commission's records found no formal complaints filed against the Company during the course of the last three years. The Commission has not received any customer concerns as a result of the instant application.

### **Engineering Analysis**

Staff inspected the Company's plant facilities on October 7, 2003. A complete discussion of Staff's findings and recommendations and description of the water system is provided in the attached Engineering Report.

### **Compliance**

The Company is current in its property and sales tax payments.

Bonita Creek Land and Homeowner's Association is not within any Active Management Area ("AMA"), and is not subject to the Arizona Department of Water Resources ("ADWR") monitoring and reporting requirement or water conservation limits.

The most recent lab analysis by the Company indicated that the arsenic level in its source supply is 3 µg/l. Based on this arsenic concentration, the Company is in compliance with the new arsenic maximum contaminate level ("MCL").

The Arizona Department of Environmental Quality ("ADEQ") has determined that this system is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

A check with the Utilities Division Compliance Unit showed no outstanding compliance issues.

A review of the water pumped and sold by the Company indicates that the Company has a 24 percent water loss that is unaccounted for.

### **Rate Base**

As shown on Schedule 2, page 1, Staff recommends a rate base of \$5,921. Staff's proposed rate base represents a decrease of \$4,921 from the Company's proposed \$10,842. A list of Staff's adjustments follows:

Adjustment A decreased Accumulated Depreciation by \$850 as shown in Schedule 2, page 3. Staff calculated Accumulated Depreciation by adding depreciation expense for the intervening years to the approved balance in Decision No. 59548 of \$2,148 and adjusted the Company's balance.

Adjustment B as shown in Schedule 2, page 1, recorded Contributions in Aid of Construction ("CIAC") of \$12,790.

Adjustment C recorded Amortization of CIAC of \$6,989.

Adjustment D increased working capital by \$30 consistent with Staff's adjustments to operating expenses.

### **Operating Revenues**

Staff made no adjustments to Metered Water revenue. The Company's bill count matched the revenue shown in the application.

### **Operating Expenses**

Staff adjustments to operating expenses resulted in a decrease of \$690 from \$18,825 to \$18,135 as shown on Schedule 3, page 1.

Adjustment A increased Repairs and Maintenance Expense by \$637 as a result of Staff's reclassification from Outside Services for charges included on labor invoices.

Adjustment B increased Office Supplies and Expense by \$75 which was reclassified from Outside Services.

Adjustment C decreased Outside Services by \$826 as a result of a reclassification of \$637 to Repairs and Maintenance Expense and \$75 to Office Supplies and Expense. Staff further reduced this account by \$114 to conform to audit finding.

Adjustment D increased Water Testing expense by \$355 to reflect Staff's recommended expense level of \$940.

Adjustment E decreased Depreciation Expense by \$636 to reflect Staff's recommended approved depreciation rates on a going forward basis and CIAC amortization of \$640. Staff's recommended depreciation rates at proposed rates would result in an expense level of \$266.

Adjustment F decreased Property Taxes by \$295 to disallow payment of 2001 taxes made in year 2002. Staff's recommended expense level of \$589 reflects the property tax bill for the year 2002.

### **Rate of Return**

Staff's proposed rates and charges result in a 37.92 percent rate of return. It should be noted that due to the accumulated depreciation and CIAC balance, the plant in service has been reduced by approximately 77 percent. Consequently, Staff's rates result in a high rate of return. Staff's recommended rate of return would provide a positive cash flow of \$2,245 and a 10.69 percent operating margin.

### **Revenue Requirement**

The Company's narrative portion of the application stated that it needs this rate increase because since the last rate increase in 1996, operating expenses have increased. The system costs for maintenance due to age of the system which was first installed in 1956 have been

increasing. Fire and liability insurance costs have increased from \$422 in year 2001 to \$1,892 for year 2002.

Staff concurs with the Company in its need to increase rates. The Company-proposed rates will produce revenues of \$16,963 resulting in an operating loss of \$1,862 for no rate of return on an original OCRB of \$10,842. Therefore, Staff is recommending rates higher than the company requested. Staff is recommending \$8,720 or 71.01 percent increase over Staff's adjusted Test Year revenues, producing an Operating Income of \$2,455.

### **Rate Design**

The Company's proposed rates are similar to Staff's recommended three-tier rate structure except for the break-over points and commodity rates. Staff recommends an inverted three-tier rate structure with break-over points at 2,000 and 8,000 gallons. No gallons are included in the minimum charge under the Company's proposed rates or Staff's recommended rates.

The Company proposed to increase its service line and meter installation charges from the prior rate case. The Company's proposed charges are within Staff's guidelines of reasonable and customary charges. Therefore, Staff recommends accepting the Company's proposed service line and meter installation charges.

The Company proposes to increase not sufficient funds ("NSF") check fee from \$15.00 to \$25.00. Meter Re-Read (if correct) from \$10.00 to \$25.00 and add a Late Fee of \$25.00. The Company has not provided the requested documentation to substantiate that these service charges should be increased and are appropriate. Accordingly, Staff recommends not allowing the Company's proposed increases to service charges.

### **Staff Recommendations**

Staff recommends approval of its recommended rates and charges as presented on Schedule 4 of this Report.

Staff further recommends the Company adopt the depreciation rates shown on Exhibit 4 of the attached Engineering Report.

Staff further recommends that the Company file with the Commission a schedule of its approved rates and charges within 30 days after the decision in this matter is issued.

Staff recommends that the Company file a curtailment tariff within 45 days after the effective date of any decision and order pursuant to this application. The tariff shall be submitted to the Director of the Utilities Division for his review and certification. Staff also recommends that the tariff shall generally conform to the sample tariff found on the

Commission's web site (<http://www.cc.state.az.us/utility/forms/Curtailment-Std.pdf>) or available upon request from Commission Staff.

Staff recommends that after the effective date of a decision in this matter, the Company file yearly reports within 30 days after the end of each calendar year with the Director of the Commission's Utilities Division, indicating the quantity of water pumped and sold each month during the year and the efforts made to reduce water loss such as number of leaks repaired. The Company will file this report until such time as it achieves two consecutive years of less than 10 percent water loss or until further order of the Commission.

Staff further recommends that an off-site water facilities Hook-up-Fee tariff be approved as shown in Exhibit 5 of the Engineering Report.

Staff further recommends that all funds collected by the Company as off-site facilities Hook-up-Fees shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the cost of off-site facilities, for the replacement of undersized mains and associated valves and appurtenances, and repayment of loans obtained for the installation of off-site facilities.

Staff further recommends that the Commission require the Company file annual reports by April 15<sup>th</sup> of the following year on the water Hook-Up Fee account disclosing:

1. Name of each entity paying Hook-Up Fee;
2. Amount of Hook-Up Fee paid by each entity;
3. Description of utility plant constructed with Hook-Up Fee funds;
4. Balance of Hook-Up Fee account;
5. Interest earned on Hook-Up Fee account;
6. Any other pertinent information that may be required by Staff.

Staff further recommends that, in addition to the collection of the Company's regular rates and charges, Bonita Creek Land and Homeowner's Association shall collect from its customers their proportionate share of any Privilege, Sales or Use Tax as provided for in A.A.C. R14-2-409(D).

**Bonita Creek Land and Homeowner's Association**

Docket No. W-02195B-03-0293

Schedule 1

Test Year Ended December 31, 2002

**SUMMARY OF FILING**

	-- Present Rates --		-- Proposed Rates --	
	Company as Filed	Staff as Adjusted	Company as Filed	Staff as Adjusted
Revenues:				
Metered Water Revenue	\$12,280	\$12,280	\$16,963	\$21,000
Unmetered Water Revenue	0	0	0	0
Other Water Revenues	0	0	0	0
Total Operating Revenue	\$12,280	\$12,280	\$16,963	\$21,000
Operating Expenses:				
Operation and Maintenance	\$17,082	\$17,310	\$17,082	\$17,323
Depreciation	809	173	809	266
Property & Other Taxes	884	589	884	589
Income Tax	50	50	50	577
Total Operating Expense	\$18,825	\$18,122	\$18,825	\$18,755
Operating Income/(Loss)	(\$6,545)	(\$5,842)	(\$1,862)	\$2,245
Rate Base O.C.L.D.	\$10,842	\$5,921	\$10,842	\$5,921
Rate of Return - O.C.L.D.	-60.37%	-98.67%	-17.17%	37.92%
Times Interest Earned Ratio (Pre-Tax)	-101.48	90.70	-101.48	-45.55
Debt Service Coverage Ratio (Pre-Tax)	-88.84	88.00	-88.84	-48.25
Operating Margin	-53.30%	-47.57%	-10.98%	10.69%

- NOTES: 1. The times interest earned ratio (TIER) represents the ability of the Company to pay interest expenses before taxes.
2. Operating Margin represents the proportion of funds available to pay interest and other below the line or non-ratemaking expenses.

**Bonita Creek Land and Homeowner's Association**

Docket No. W-02195B-03-0293

Test Year Ended December 31, 2002

Schedule 2

Page 1 of 3

**RATE BASE**

	----- Original Cost -----			
	Company	Adjustment		Staff
Plant in Service	\$16,455	\$0		\$16,455
Less:				
Accum. Depreciation	7,692	(850)	A	6,842
<b>Net Plant</b>	<b>\$8,763</b>	<b>\$850</b>		<b>\$9,613</b>
Less:				
Plant Advances	\$0	\$0		\$0
Accumulated Deferred Income Taxes	0	0		0
<b>Total Advances</b>	<b>\$0</b>	<b>\$0</b>		<b>\$0</b>
Contributions Gross	\$0	\$12,790	B	\$12,790
Less:				
Amortization of CIAC	0	6,989	C	6,989
<b>Net CIAC</b>	<b>\$0</b>	<b>\$5,801</b>		<b>\$5,801</b>
<b>Total Deductions</b>	<b>\$0</b>	<b>\$5,801</b>		<b>\$5,801</b>
Plus:				
1/24 Power	\$28	\$0		\$28
1/8 Operation & Maint.	2,051	30	D	2,081
Inventory	0	0		0
Prepayments	0	0		0
<b>Total Additions</b>	<b>\$2,079</b>	<b>\$30</b>		<b>\$2,109</b>
<b>Rate Base</b>	<b>\$10,842</b>	<b>(\$4,921)</b>		<b>\$5,921</b>

*Explanation of Adjustment:*

A - See Schedule 2, page 3.

B - To record CIAC not shown in Company's application.

C - To record amortization of CIAC.

D - Based on Staff's adjustments to operating expenses.

**Bonita Creek Land and Homeowner's Association**

Docket No. W-02195B-03-0293

Test Year Ended December 31, 2002

Schedule 2

Page 2 of 3

**PLANT ADJUSTMENT**

	Company Exhibit	Adjustment	Staff Adjusted
301 Organization	\$207	\$0	\$207
302 Franchises	0	0	0
303 Land & Land Rights	0	0	0
304 Structures & Improvements	4,225	0	4,225
307 Wells & Springs	0	0	0
311 Pumping Equipment	2,291	0	2,291
320 Water Treatment Equipment	6,637	0	6,637
330 Distribution Reservoirs & Star	0	0	0
331 Transmission & Distribution M	580	0	580
333 Services	0	0	0
334 Meters & Meter Installations	1,553	0	1,553
335 Hydrants	0	0	0
336 Backflow Prevention Devices	0	0	0
339 Other Plant and Misc. Equipm	0	0	0
340 Office Furniture & Equipment	35	0	35
341 Transportation Equipment	0	0	0
343 Tools Shop & Garage Equipm	433	0	433
344 Laboratory Equipment	0	0	0
345 Power Operated Equipment	0	0	0
346 Communication Equipment	0	0	0
347 Miscellaneous Equipment	0	0	0
348 Other Tangible Plant	494	0	494
105 C.W.I.P.	0	0	0
<b>TOTALS</b>	<b>\$16,455</b>	<b>\$0</b>	<b>\$16,455</b>

### ACCUMULATED DEPRECIATION ADJUSTMENT

	<u>Amount</u>
Accumulated Depreciation - Per Company	\$7,692
Accumulated Depreciation - Per Staff	6,842 A
<b>Total Adjustment</b>	<b>(\$850)</b>

*Explanation of Adjustment:*

A -	Accumulated Depreciation per decision No. 59548	\$	2,148
Plus:	Depreciation Expense 1996		535
	Depreciation Expense 1997		619
	Depreciation Expense 1998		726
	Depreciation Expense 1999		726
	Depreciation Expense 2000		757
	Depreciation Expense 2001		790
	Depreciation Expense 2002 7/1/01 to 12/31/02		1,196
	Subtotal.		<u>7498</u>
Less:	Plant Retirements		<u>(656)</u>
	Total	\$	<u>6,842</u>

## STATEMENT OF OPERATING INCOME

	Company Exhibit	Staff Adjustments	Staff Adjusted
<b>Revenues:</b>			
461 Metered Water Revenue	\$12,280	\$0	\$12,280
460 Unmetered Water Revenue	0	0	0
474 Other Water Revenues	0	0	0
<b>Total Operating Revenue</b>	<b>\$12,280</b>	<b>\$0</b>	<b>\$12,280</b>
<b>Operating Expenses:</b>			
601 Salaries and Wages	\$0	\$0	\$0
610 Purchased Water	0	0	0
615 Purchased Power	677	0	677
618 Chemicals	408	0	408
620 Repairs and Maintenance	1,311	637 A	1,948
621 Office Supplies & Expense	647	75 B	722
630 Outside Services	10,673	(826) C	9,847
635 Water Testing	585	355 D	940
641 Rents	389	0	389
650 Transportation Expenses	500	0	500
657 Insurance - General Liability	1,892	0	1,892
659 Insurance - Health and Life	0	0	0
666 Regulatory Commission Expense - Rate Case	0	0	0
675 Miscellaneous Expense	0	0	0
403 Depreciation Expense	809	(636) E	173
408 Taxes Other Than Income	0	0	0
408.11 Property Taxes	884	(295) F	589
409 Income Tax	50	0	50
<b>Total Operating Expenses</b>	<b>\$18,825</b>	<b>(\$690)</b>	<b>\$18,135</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>(\$6,545)</b>	<b>\$690</b>	<b>(\$5,855)</b>
<b>Other Income/(Expense):</b>			
419 Interest and Dividend Income	\$0	\$0	\$0
421 Non-Utility Income	0	0	0
427 Interest Expense	64	0	64
4XX Reserve/Replacement Fund Deposit	0	0	0
426 Miscellaneous Non-Utility Expense	0	0	0
<b>Total Other Income/(Expense)</b>	<b>(\$64)</b>	<b>\$0</b>	<b>(\$64)</b>
<b>NET INCOME/(LOSS)</b>	<b>(\$6,609)</b>	<b>\$690</b>	<b>(\$5,919)</b>

**Bonita Creek Land and Homeowner's Association**

Docket No. W-02195B-03-0293

Test Year Ended December 31, 2002

Schedule 3

Page 2 of 3

**STAFF ADJUSTMENTS**

A -	REPAIRS AND MAINTENANCE - Per Company	\$1,311	
	Per Staff	1,948	\$637

To reclassify to Repairs and Maintenance Expense from Outside Services.

B -	OFFICE SUPPLIES & EXPENSE - Per Company	\$647	
	Per Staff	722	\$75

To reclassify to Office Supplies and Expense from Outside Services.

C -	OUTSIDE SERVICES - Per Company	\$10,673	
	Per Staff	9,847	(\$826)

To reclassify of \$637 to Repairs and Maintenance Expense and \$75 to Office Supplies and Expense and to disallow \$114 per audit finding.

D -	WATER TESTING - Per Company	\$585	
	Per Staff	940	\$355

To adjust to Staff's recommended expense level.

**Bonita Creek Land and Homeowner's Association**

Docket No. W-02195B-03-0293

Test Year Ended December 31, 2002

Schedule 3

Page 3 of 3

**STAFF ADJUSTMENTS (Cont.)****E Pro Forma Annual Depreciation Expense:**

Plant in Service	\$16,455	
Less: Non Depreciable Plant	207	
Fully Depreciated Plant	0	
Depreciable Plant	\$16,248	
Times: Staff Proposed Depreciation Rate	5.00%	
Credit to Accumulated Depreciation	\$801	*
Less: Amort. of CIAC* @ 5.00%	640	
<b>Pro Forma Annual Depreciation Expense</b>	<b>\$173</b>	

**\* Amortization of CIAC:**

Contribution(s) in Aid of Construction (Gross)	\$12,790	
Less: Non Amortizable Contribution(s)	0	
Fully Amortized Contribution(s)	0	
Amortizable Contribution(s)	\$12,790	
Times: Staff Proposed Amortization Rate	5.00%	
<b>Amortization of CIAC</b>	<b>\$640</b>	

<b>F -</b>	<b>PROPERTY TAXES - Per Company</b>	<b>\$884</b>	
	Per Staff	589	(\$295)

To adjust to amount paid for test year taxes

**RATE DESIGN**

Monthly Usage Charge	Present	-Proposed Rates-	
	Rates	Company	Staff
5/8" x 3/4" Meter	\$19.75	\$29.75	\$35.00
3/4" Meter	19.75	29.75	60.00
1" Meter	49.38	69.00	100.00
1 1/2" Meter	98.75	109.00	200.00
2" Meter	158.00	169.00	320.00
3" Meter	296.25	306.00	600.00
4" Meter	493.75	569.00	1,000.00
5" Meter	740.63	0.00	0.00
6" Meter	987.50	1,069.00	0.00
Excess of Minimum - per 1,000 Gallons			
Gallons Included in Minimum	0	0	0
From Zero gallons to 3,000 gallons	4.25	4.25	n/a
From 3,001 gallons to 10,000 gallons	4.75	4.75	n/a
Over 10,000 gallons	5.75	5.75	n/a
From zero gallons to 2,000 gallons	n/a	n/a	6.25
From 2,001 gallons to 8,000 gallons	n/a	n/a	7.00
Over 8,000 gallons	n/a	n/a	7.75
<u>Service Line and Meter Installation Charges</u>			
5/8" x 3/4" Meter	\$365.00	\$515.00	\$515.00
3/4" Meter	405.00	575.00	575.00
1" Meter	455.00	660.00	660.00
1 1/2" Meter	668.00	900.00	900.00
2" Meter	1,080.00	1,525.00	1,525.00
3" Meter	1,460.00	2,165.00	2,165.00
4" Meter	2,350.00	3,360.00	3,360.00
5" Meter	3,400.00	0.00	0.00
6" Meter	4,450.00	6,035.00	6,035.00
<u>Service Charges</u>			
Establishment	\$30.00	\$30.00	\$30.00
Establishment (After Hours)	35.00	35.00	35.00
Reconnection (Delinquent)	30.00	30.00	30.00
Meter Test (If Correct)	40.00	40.00	40.00
Deposit	*	*	*
Deposit Interest	*	*	*
Re-Establishment (Within 12 Months)	**	**	**
NSF Check	15.00	25.00	15.00
Deferred Payment	*	*	*
Meter Re-Read (If Correct)	10.00	25.00	10.00
Late Fee	n/a	25.00	****
<u>Monthly Service Charge for Fire Sprinkler</u>			
4" or Smaller	\$0.00	\$0.00	***
6"	0.00	0.00	***
8"	0.00	0.00	***
10"	0.00	0.00	***
Larger than 10"	0.00	0.00	***

\* Per Commission Rules (R14-2-403.B)

\*\* Months off system times the minimum (R14-2-403.D)

\*\*\* 1.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

\*\*\*\* 1.50% of unpaid monthly balance.

**TYPICAL BILL ANALYSIS**

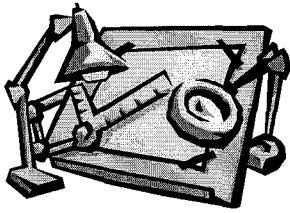
General Service 5/8X3/4 Inch Meter

Average Number of Customers: 38

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	1,685	\$26.91	\$36.91	\$10.00	37.2%
Median Usage	756	\$22.97	\$32.97	\$10.00	43.5%
<u>Staff Proposed</u>					
Average Usage	1,685	\$26.91	\$45.53	\$18.62	69.2%
Median Usage	756	\$22.97	\$39.73	\$16.76	73.0%

Present & Proposed Rates (Without Taxes)  
General Service 5/8X3/4 Inch Meter

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
0	\$19.75	\$29.75	50.6%	\$35.00	77.2%
1,000	24.00	34.00	41.7%	41.25	71.9%
2,000	28.25	38.25	35.4%	47.50	68.1%
3,000	32.50	42.50	30.8%	54.50	67.7%
4,000	36.75	47.25	28.6%	61.50	67.3%
5,000	41.00	52.00	26.8%	68.50	67.1%
6,000	45.25	56.75	25.4%	75.50	66.9%
7,000	49.50	61.50	24.2%	82.50	66.7%
8,000	53.75	66.25	23.3%	89.50	66.5%
9,000	58.00	71.00	22.4%	97.25	67.7%
10,000	62.25	75.75	21.7%	105.00	68.7%
15,000	83.50	104.50	25.1%	143.75	72.2%
20,000	104.75	133.25	27.2%	182.50	74.2%
25,000	126.00	162.00	28.6%	221.25	75.6%
50,000	232.25	305.75	31.6%	415.00	78.7%
75,000	338.50	449.50	32.8%	608.75	79.8%
100,000	444.75	593.25	33.4%	802.50	80.4%
125,000	551.00	737.00	33.8%	996.25	80.8%
150,000	657.25	880.75	34.0%	1,190.00	81.1%
175,000	763.50	1,024.50	34.2%	1,383.75	81.2%
200,000	869.75	1,168.25	34.3%	1,577.50	81.4%



**Engineering Report For  
Bonita Creek Land and Home Owners  
Association for a Rate Increase  
Docket No. W-02195B-03-0293  
By John A. Chelus  
November 24, 2003**

**EXECUTIVE SUMMARY**

**Conclusions**

- I. The Arizona Department of Environmental Quality (ADEQ) reported total compliance with the state drinking water rules. ADEQ certified that the water system is delivering water that does not exceed any maximum contaminant level and meets the water quality standards of the Safe Drinking Water Act.

**Recommendations**

- I. Water testing expenses are based upon participation in the ADEQ Monitoring Assistance Program. Annual testing expenses should be adjusted to the level described in Section G, Table 1 (\$ 940.00).
- II. It is recommended that the Company use depreciation rates by individual National Association of Regulatory Utilities Commissioners (NARUC) category, as delineated in Exhibit 4.
- III. Staff recommends that the Company file a curtailment tariff within 45 days after the effective date of any decision and order pursuant to this application. The tariff shall be submitted to the Director of the Utilities Division for his review and certification. Staff also recommends that the tariff shall generally conform to the sample tariff found posted on the Commission's web site ([www.cc.state.az.us/utility](http://www.cc.state.az.us/utility)) or available upon request from Commission Staff.
- IV. Staff recommends that after the effective date of a decision in this matter, the Company file yearly reports within 30 days after the end of each calendar year, with the Director of the Commission's Utilities Division, indicating the quantity of water pumped and sold each month during the year and the efforts made to reduce water loss such as number of leaks repaired. The Company will file this report until such time as it achieves two consecutive years of less than 10 percent water loss or until further order of the Commission.

- V. Staff believes that a hook-up fee is an appropriate method to recover capital costs for future off-site infrastructure. Recommended tariff language is included in Exhibit 5 of this report.**

**Staff further recommends that all funds collected by the Company as Off-site facilities Hook-up Fees shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of off-site facilities, for the replacement of undersized mains and associated valves and appurtenances, and repayment of loans obtained for the installation of off-site facilities.**

**Staff further recommends that the Commission require the Company file annual reports by April 15<sup>th</sup> of the following year on the water Hook-up Fee account disclosing:**

- 1. Name of each entity paying Hook-up Fee;**
- 2. Amount of Hook-Up Fee paid by each entity;**
- 3. Description of utility plant constructed with Hook-Up Fee funds;**
- 4. Balance of Hook-Up Fee account;**
- 5. Interest earned on Hook-Up Fee account;**
- 6. Any other pertinent information that may be required by Staff.**

- VI. Staff recommends accepting the Company's proposed meter and service line installation charges.**

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**EXHIBITS**

CERTIFICATED AREA AND LOCATION OF COMPANY .....	1&2
PROCESS SCHEMATIC .....	3
DEPRECIATION RATES.....	4
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**A. LOCATION OF COMPANY**

Bonita Creek Land and Home Owners Association, ("Bonita Creek" or "Company") serves approximately 40 customers and is located in Gila County approximately 15 miles north of Payson on Houston Mesa Road. Exhibit 1 describes the location of the Company within Gila County, and Exhibit 2 describes the certificated area of the water company within Gila County.

**B. DESCRIPTION OF THE WATER SYSTEM**

The system serves an area called the Bonita Creek Estates subdivision. The original system was built in 1956. The community were destroyed in the Dude Ranch forest fire in 1990. The water treatment and storage system were rebuilt after the fire. There are 160 lots with 109 owners and 40 water customers. Most customers are weekend users. There are 8 full time customers on the system. The subdivision is surrounded by forest service land. The plant facilities were visited on October 7, 2003, by John A. Chelus, in the accompaniment of Fred Washburn and John Goulette, members of the water system.

Surface water is pumped from Bonita Creek using a 1-¾ hp, 20 gallon per minute pump. The raw water flows through a static mixer where aluminum sulfate (alum) is added to aid in solids removal. It then goes through a 1 ½ inch diameter flow meter and two rapid multi-media pressure filters which are normally run in series. The water then goes through a polishing filter and an ultraviolet light for disinfection. After this, the finished water is chlorinated for further disinfection before entering the distribution system. A 10,000 gallon storage tank "floats" on the system. Turbidity is continuously monitored and recorded for both raw water and finished water. The water system has adequate storage and water production. Exhibit 3 provides a process schematic for the water system.

Water System Plant Listing

<b>Description</b>	<b>Quantity</b>
Chemical Proportioning pumps for alum and hypochlorite	2
Mixed Media Sand Pressure Filters	2
Flow Meter 1 ½ inch	1
Hach Turbidity Meter Model 1720C	1
5 micron polishing filter	1
Static Mixer	1
Ultraviolet lamp	1
Ultraviolet Tester	1
Treatment Plant Building	1
Chemical filters	2
2 inch and 3 inch Steel and PVC distribution mains	unknown
5/8x 3/4 meters	40
Raw Water Sump 1 ¾ HP 20 gpm	1
Storage Tank 10,000 gallons	1

**C. ARSENIC**

The U.S. Environmental Protection Agency (EPA) has reduced the arsenic maximum contaminant level (MCL) in drinking water from 50 micrograms per liter ( $\mu\text{g/l}$ ) to 10  $\mu\text{g/l}$ . The date for compliance with the new MCL is January 23rd, 2006. The most recent lab analysis by the Company indicated that the arsenic level in its source supply is 3  $\mu\text{g/l}$ . Based on this arsenic concentration, the Company is in compliance with the new arsenic MCL.

**D. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY COMPLIANCE (ADEQ)**

ADEQ has determined that this system is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

**E. ARIZONA CORPORATION COMMISSION COMPLIANCE**

A check with the Utilities Division compliance Unit showed no outstanding compliance issues.

**F. ARIZONA DEPARTMENT OF WATER RESOURCES COMPLIANCE**

Bonita Creek is not within any Active Management Area, and consequently is not subject to reporting and conservation rules.

**G. WATER TESTING EXPENSES**

Bonita Creek has received a waiver from participating in the ADEQ Monitoring Assistance Program (MAP) because of the small number of permanent residents. Since this status could change due to growth in the near future, Staff is including the costs associated with participation in MAP.

Table 1 shows the estimated annual monitoring expense, assuming participation in the MAP program. Water testing expenses should be adjusted to the annual expense amount shown in Table 1, which is **\$940**.

**Table 1. Water Testing Cost**

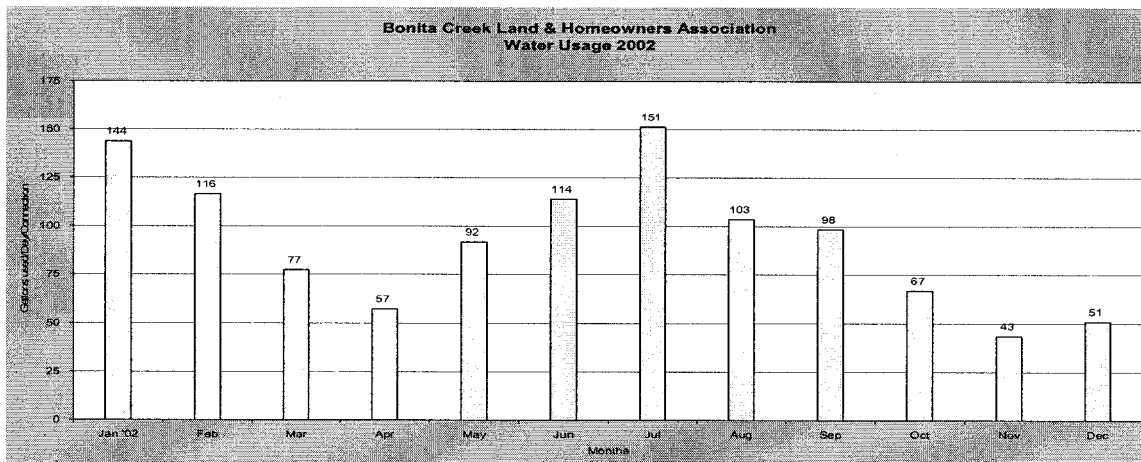
Monitoring (Tests per 3 years, unless noted)	Cost per test	No. of tests per 3 years	Total 3 year cost	Annual Cost
Bacteriological – monthly	\$15	72	1080	360
Inorganics – Priority Pollutants	\$240	1	240	80
Nitrate – annual	\$25	3	75	25
MAP IOCs, SOCs, & VOCs	MAP	MAP	MAP	350
Lead & Copper - annual	\$25	5	15	125
Turbidity (continuous)	Company			

Chlorine Residual	Company			
Total				\$ 940.00

## H. WATER USE

### Water Sold

Based on the information provided by the Company, water use for the year 2002 is presented below. The high monthly domestic water use was 151 gal/day-service in July, and the low monthly domestic water use was 43 gal/day-service in November. The average annual use was 93 gal/day-service.



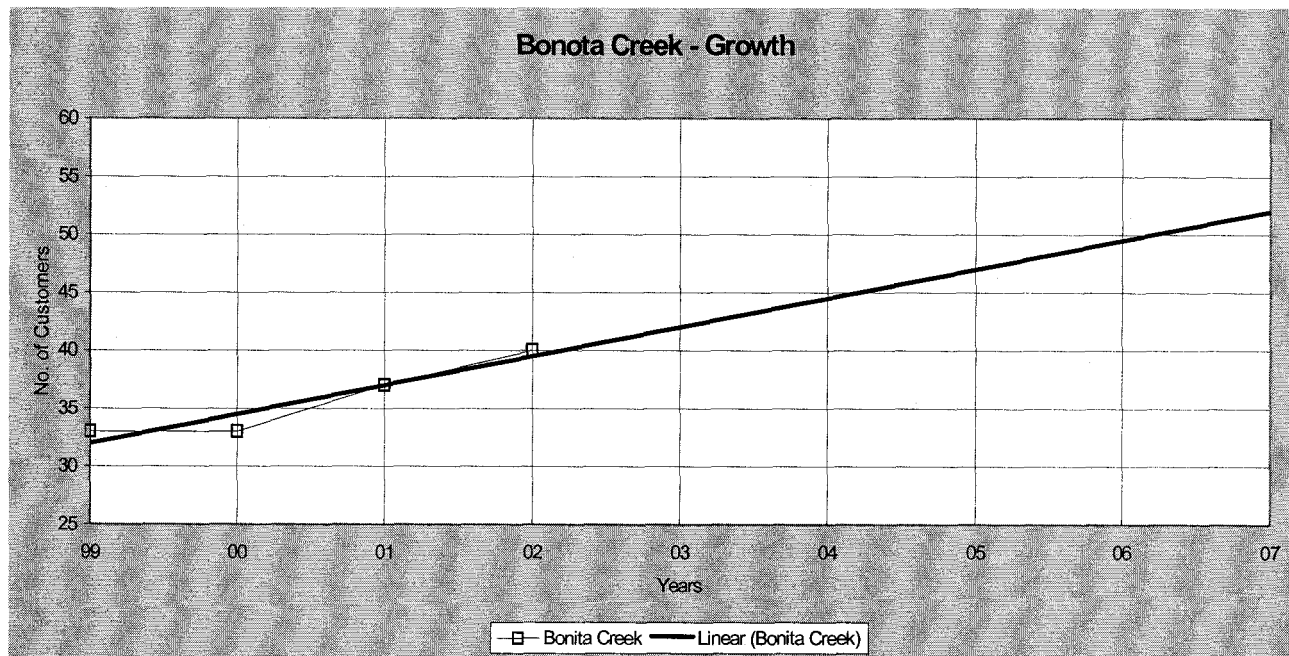
### Non-account Water

Non-account water should be 10% or less and not more than 15%. It is important to be able to reconcile the difference between water sold and the water produced by the source. A water balance will allow a water company to identify water and revenue losses due to leakage, theft, and flushing. Bonita Creek reported pumping 1,264,330 gallons in 2002 and selling 740,708 gallons. Of the 523,622 gallons that was pumped but not sold, Staff estimates that approximately 210,000 was used for backwashing of the mixed media sand filters. Another 10,000 was lost when the system was drained during the year to add new connections since there are no isolation valves. This leaves a volume of 303,622 gallons or 24% that is unaccounted for. The Company reported in its application that it experiences a large loss of water through line breaks and leaks since the distribution system is very old, having been installed in 1956.

Staff recommends that after the effective date of a decision in this matter, the Company file yearly reports within 30 days after the end of each calendar year, with the Director of the Commission's Utilities Division, indicating the quantity of water pumped and sold each month during the year and the efforts made to reduce water loss such as number of leaks repaired. The Company will file this report until such time as it achieves two consecutive years of less than 10 percent water loss or until further order of the Commission.

## I. GROWTH

The number of service connections was obtained from annual reports submitted to the Commission. During the test year 2002, the Company had 40 customers and it is projected that the Company could have approximately 53 customers by 2007. There are 160 lots with 109 owners



## J. DEPRECIATION RATES

Staff has developed typical and customary depreciation rates within a range of anticipated equipment life. These rates are presented in Exhibit 4. It is recommended that the company use depreciation rates by individual National Association of Regulatory Utilities Commissioners (NARUC) category, as delineated in Exhibit 4.

## K. CURTAILMENT PLAN TARIFF

A curtailment tariff is an effective tool to allow a water company to manage its resources during periods of shortages due to pump breakdowns, droughts, or other unforeseeable events. Since Bonita Creek does not have a curtailment tariff, this rate application provides an opportune time to prepare and file such a tariff. Staff recommends that the Company file a curtailment tariff within 45 days after the effective date of any decision and order pursuant to this application. The tariff shall be submitted to the Director of the Utilities Division for his review and certification. Staff also recommends that the tariff shall generally conform to the sample tariff found posted on the Commission's web site ([www.cc.state.az.us/utility](http://www.cc.state.az.us/utility)) or available upon request from Commission Staff.

## **L. HOOK-UP FEE TARIFF**

A hook-up fee is an appropriate way to recover the capital burden imposed by parcel splits within existing service areas and also major platted subdivisions in new service areas. Bonita Creek had discussions with Staff about the implementation of a hook-up fee. Staff supports the concept of a hook-up fee and recommends the adoption of the specific tariff language contained in Exhibit 5 of this report.

Staff had to make assumptions when developing the proposed hook-up fee since there is not much information available from the Company.

The following assumptions and calculations were used to calculate the hookup fees:

### Assumptions

- There will be 109 customers at build out.
- There are 40 current customers
- 10,000 ft of main needs replacement with 6 inch diameter mains
- New customers should only pay for half of main replacement with hook-up fees
- Isolation valves will be installed on the distribution system which increases main cost
- Storage should double to accommodate build out– Adds 10,000 gallons
- Water Treatment facilities will double to accommodate build out

### Calculations

Mains – 5,000 feet / 2x \$25 per ft. / 69 = \$905

Storage – 10,000 gallons - \$4,000/ 69 = \$58

Water Treatment - \$15,000 / 69 = \$217

Total hook-up fee per customer for a 5/8" x 3/4 "meter = \$1,180. Use **\$1,200**

For larger meter sizes, Staff recommends that the hook-up fee shall be proportional to the NARUC meter multiplier. These recommended values are also delineated in Exhibit 5. Staff recommends that all Hook-up Fees collected under the tariff be placed in a separate interest bearing account to be used solely for the installation of backbone off-site plant and replacement of original mains, valves, fittings and related appurtenances.

Staff further recommends that the Commission require the Company file annual reports by April 15<sup>th</sup> of the following year on the water Hook-up Fee account disclosing:

1. Name of each entity paying Hook-up Fee;
2. Amount of Hook-Up Fee paid by each entity;
3. Description of utility plant constructed with Hook-Up Fee funds;
4. Balance of Hook-Up Fee account;
5. Interest earned on Hook-Up Fee account;
6. Any other pertinent information that may be required by Staff.

**M. SERVICE LINE AND METER INSTALLATION CHARGES**

The Company has requested to change its meter and service line charges as shown in the following table. These charges are refundable advances and the Company's proposed charges are within Staff's experience of reasonable and customary charges. Therefore, Staff recommends accepting the Company's proposed meter and service line installation charges.

Service Line and Meter Installation Charges

Meter Size	Current Charges	Proposed Charges	Staff Recommendation
5/8 x 3/4-inch	\$365	\$515	\$515
3/4-inch	\$405	\$575	\$575
1-inch	\$455	\$660	\$660
1-1/2-inch	\$668	\$900	\$900
2-inch	\$1,080	\$1,525	\$1,525
3-inch	\$1,460	\$2,165	\$2,165
4-inch	\$2,350	\$3,360	\$3,360
6-inch	\$4,450	\$6,035	\$6,035

EXHIBITS

CERTIFICATED AREA AND LOCATION OF BONITA CREEK ..... EXHIBIT 1 (& 2)

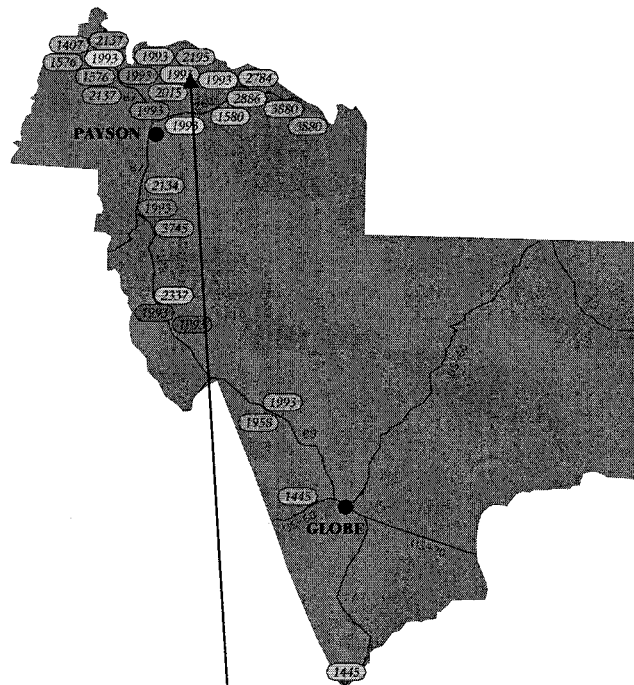
PROCESS SCHEMATIC ..... EXHIBIT 3

DEPRECIATION RATES ..... EXHIBIT 4

HOOK-UP FEE TARIFF ..... EXHIBIT 5

Exhibit 1

## GILA COUNTY



1445 ARIZONA WATER COMPANY  
2015 BEAVER VALLEY WATER COMPANY, INC.  
2195 BONITA CREEK LAND & HOMEOWNER'S ASSOCIATION  
2134 C & S WATER COMPANY, INC.  
1576 E & R WATER COMPANY, INC.  
3745 EDWIN L. WETZLER  
3880 JNJ ENTERPRISES, LLC  
2886 KOHL'S RANCH WATER COMPANY  
1958 ROOSEVELT LAKE RESORT, INC.  
1407 STRAWBERRY WATER COMPANY  
2337 TONTO BASIN WATER COMPANY  
2784 TONTO CREEK UTILITY COMPANY  
1580 TONTO VILLAGE WATER COMPANY, INC.

1993 UNITED UTILITIES (DEER CREEK)  
1993 UNITED UTILITIES (EAST VERDE PARK)  
1993 UNITED UTILITIES (FLOWING SPRINGS)  
1993 UNITED UTILITIES (GERONIMO SYSTEM)  
1993 UNITED UTILITIES (MESA DEL CABALLO)  
1993 UNITED UTILITIES (MYRTLE RIDGE)  
1993 UNITED UTILITIES (ROOSEVELT LAKE ESTATES)  
1993 UNITED UTILITIES (STAR/QUAIL VALLEY)  
1993 UNITED UTILITIES (STRAWBERRY)  
1993 UNITED UTILITIES (TONTO BASIN SYSTEM)  
1993 UNITED UTILITIES (WHISPERING PINES)  
2137 WILLIAMSON WATERWORKS, INC.

COUNTY: *Gila*

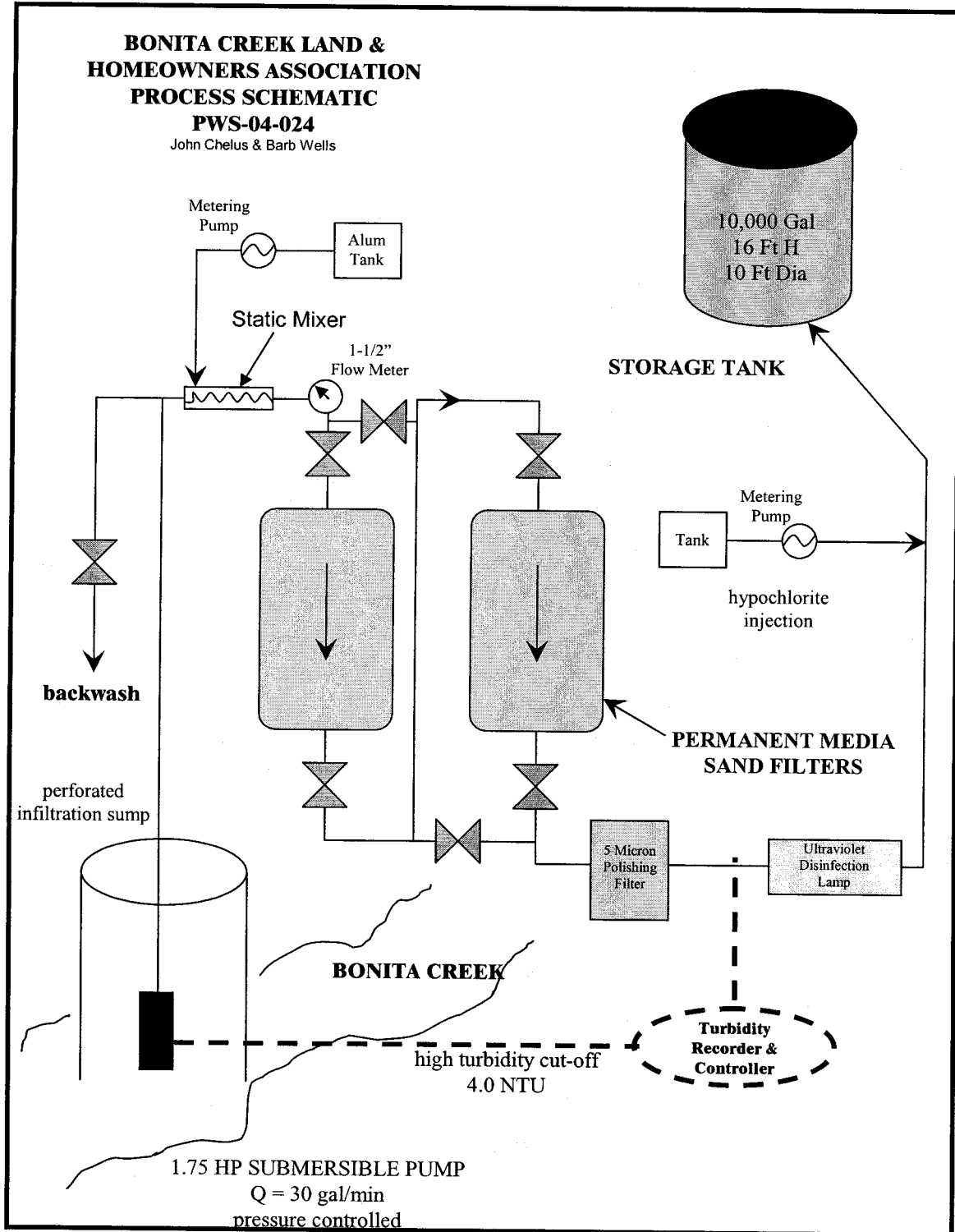
RANGE 11 East

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

TOWNSHIP 12 North



U-2195 (1)  
Bonita Creek Land and  
Homeowner's Association



**Exhibit 3**

**EXHIBIT 4**  
**TYPICAL DEPRECIATION RATES FOR WATER COMPANIES**

NARUC Account No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	----	----

**NOTES:**

- These depreciation rates represent average expected rates. Water companies may experience different rates due to variations in construction, environment, or the physical and chemical characteristics of the water.
- Acct. 348, Other Tangible Plant may vary from 5% to 50%. The depreciation rate would be set in accordance with the specific capital items in this account.

UTILITY: Bonita Creek Land & Homeowner's Association SHEET NO. 1  
DOCKET NO. W-02195B-03-0293  
DECISION NO. \_\_\_\_\_  
EFFECTIVE DATE: \_\_\_\_\_

**OFF-SITE WATER FACILITIES HOOK-UP FEE TARIFF  
FOR  
BONITA CREEK LAND AND HOMEOWNERS ASSOCIATION**

**I. Purpose and Applicability**

The purpose of the hook-up fees payable to Bonita Creek Land & Homeowners Association ("the Company") pursuant to this tariff is to equitably apportion the costs of constructing additional facilities to provide water production, storage, pressure and fire flow and distribution among all new service connections.

These charges are applicable to all new service connections established after the effective date of this tariff. The charges are one-time charges and are payable as a condition to the Company's establishment of service, as more particularly provided below.

**II. Definitions**

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with Company for the installation of water facilities to serve new service connections.

"Company" means Bonita Creek Land and Homeowners Association, an Arizona corporation.

"Main Extension Agreement" means any agreement whereby an Applicant agrees to advance the costs of the installation of water facilities to the Company to serve new service connections, or install water facilities to serve new service connections and transfer ownership of such water facilities to the Company, which agreement shall require the approval of the Arizona Corporation Commission (same as line extension agreement).

"Off-Site Facilities" means wells, storage tanks and related appurtenances necessary for proper operation, including engineering and design costs. Off-Site facilities may also include booster pumps, pressure tanks, transmission mains and related appurtenances necessary for proper operation, if these facilities are not for the exclusive use of the applicant and these facilities will benefit the entire water system. It may also include the replacement of old undersized mains.

"Service Connection" means and includes all service connections for single-family residential, commercial, industrial, or other uses, regardless of meter size.

UTILITY: Bonita Creek Land & Homeowner's Association SHEET NO. 2  
DOCKET NO. W-02195B-03-0293  
DECISION NO. \_\_\_\_\_  
EFFECTIVE DATE: \_\_\_\_\_

### III. Off-Site Hook-Up Charges

Each new service connection shall pay the total off-site facilities hookup fee, derived from the following table:

OFF-SITE FACILITIES HOOKUP FEE TABLE		
Meter Size	NARUC Meter Factor	Total Fee
5/8" X 3/4"	1	\$1,200
3/4"	1.5	\$1,800
1"	2.5	\$3,000
1- 1/2 "	5	\$6,000
2"	8	\$9,600
3"	15	\$18,000

### IV. Terms and Conditions

- (A) Assessment of One Time Hook-Up Charge: The hook-up fee may be assessed only once per service connection, or lot within a platted subdivision (similar to meter and service line installation charges). However, this provision does not exempt from the hook-up fee, any newly created parcel(s) which are the result of further subdivision of a lot or land parcel and which do not have a service connection.
- (B) Use of Off-Site Hook-Up Fee: Hook-Up fees may only be used to pay for the capital items of off-site facilities, or for repayment of loans obtained for installation of off-site facilities. Off site hook-up fees shall not be used for repairs, maintenance, plant replacements, or operational purposes, except for the replacement of undersized mains and associated valves and appurtenances.
- (C) Time of Payment:
- (1) In the event that the Applicant is required to enter into a main extension agreement, whereby the Applicant agrees to advance the costs of installing mains, valves, fittings, hydrants and other on-site improvements in order to extend service in accordance with R-14-2-406 (B), payment of the charges required hereunder shall be made by the Applicant within 15 calendar days after receipt of notification from the Company that the Utilities Division of the Arizona Corporation Commission has approved the main extension agreement in accordance with R14-2-406(M).
  - (2) In the event that the Applicant is not required to enter into a main extension agreement, the charges hereunder shall be due and payable at the time the meter and service line installation fee is due and payable.

UTILITY: Bonita Creek Land & Homeowner's Association SHEET NO. 3  
DOCKET NO. W-02195B-03-0293  
DECISION NO. \_\_\_\_\_  
EFFECTIVE DATE: \_\_\_\_\_

- (D) Failure to Pay Charges; Delinquent Payments: – Under no circumstances will the Company set a meter or otherwise allow service to be established if the Applicant has not paid in full all charges as provided by this off-site hook-up fee tariff.
- (E) Off-Site Hook-Up Fee Non-refundable: - The amounts collected by the Company pursuant to the off-site hook-up fee shall be non-refundable contributions in aid of construction.
- (F) Use of Charges Received: All funds collected by the Company as off-site hook-up fees, shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of off-site facilities, including repayment of loans obtained for the installation of off-site facilities that will benefit the entire water system.
- (G) All funds collected by the Company as Off-site facilities Hook-up Fees shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of off-site facilities, including repayment of loans obtained for the installation of off-site facilities.
- (H) Off-Site Hook-Up Fees In Addition to Other Charges: The off-site hook-up fees shall be in addition to any costs associated with a main extension agreement for on-site facilities, and are in addition to the amounts to be advanced pursuant to charges authorized under other sections of this tariff
- (I) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the off-site hook-up fee or the off-site hook-up fee has been terminated by order of the Arizona Corporation Commission (Commission), any funds remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.
- (J) Fire Flow Requirements: In the event the applicant for service has fire flow requirements that require additional facilities beyond those facilities whose costs were generally provided may require the Applicant to install such additional facilities as are required to meet those additional fire flow requirements, as a non-refundable contribution, in addition to the off-site hook-up fee.

Effective Date: \_\_\_\_\_

Approved for Filing in Compliance with  
Decision No. \_\_\_\_\_